



House Ways and Means Committee
Ending the TCJA Tax on Houses of Worship, Charities, and Nonprofits
Written Statement for the Record
June 17, 2019
United Philanthropy Forum

Dear Subcommittee Chairman John Lewis, Ranking Member Mike Kelly, and all members of the House Ways and Means Oversight Subcommittee,

Thank you for your leadership in holding the hearing “Ending the TCJA Tax on Houses of Worship, Charities, and Nonprofits” and for the opportunity to submit written testimony on the topic.

As the largest and most diverse network in American philanthropy, United Philanthropy Forum holds a unique position in the social sector to help increase philanthropy’s impact in communities across the country. We are a membership organization of nearly 80 regional and national philanthropy-serving organizations, representing 7,000 foundations and other funders, who work to make philanthropy better. The Forum envisions a courageous philanthropic sector that catalyzes a just and equitable society where all can participate and prosper.

For members of our network, the Tax Cuts and Jobs Act (TCJA) has had a profoundly negative impact on their ability to carry out their charitable missions. Specifically, changes to how the unrelated business income tax (UBIT) is applied to tax-exempt organizations resulted in funneling precious charitable dollars away from supporting our communities to pay for an illogical and onerous tax.

The tax on transportation and parking fringe benefits is of serious concern. Introduced in the TCJA, this tax requires for the first time that nonprofits pay a 21% federal tax on employee transportation and parking benefits, such as a metro card or a parking spot. According to research by the Urban Institute, the tax will cost nonprofits \$12,000 per year on average, and for some, much more.¹ The tax impedes our members’ abilities to achieve their important charitable missions, such as helping philanthropy to address the opioid crisis, provide scholarships to low-income students, or support community organizing and civic engagement. Furthermore, taking money away from the charitable sector only increases the public’s reliance on government to address these and similar issues.

The new tax on houses of worship, charities, and nonprofits created not only financial burdens but also administrative burdens for philanthropic and nonprofit organizations. For many, the administrative burden to calculate the tax is extremely costly and often times will cost more than the tax itself. This is wasteful and illogical public policy where neither the government nor philanthropy benefit. We ask that Congress work together to repeal this unfair and harmful tax immediately.

Moreover, the new requirement that unrelated business income and related losses must be calculated separately in “silos” creates an additional challenge, one that is estimated to cost affected nonprofits \$15,000 per year—further diverting scarce charitable funds away from supporting our communities.² This misguided requirement should be repealed as well.

¹ Urban Institute. “How the TCJA’s New UBIT Provisions Will Affect Nonprofits.” <https://independentsector.org/wp-content/uploads/2019/01/How-the-TCJAs-New-UBIT-Provisions-Will-Affect-Nonprofits.pdf>

² Urban Institute. “How the TCJA’s New UBIT Provisions Will Affect Nonprofits.” <https://independentsector.org/wp-content/uploads/2019/01/How-the-TCJAs-New-UBIT-Provisions-Will-Affect-Nonprofits.pdf>

The TCJA's changes to the tax code come at a time when the philanthropy and nonprofit sector is already vulnerable. Early data reveal that charitable giving has indeed slowed down in 2018, following the implementation of the TCJA provisions. The 2018 Charitable Giving Report from the Blackbaud Institute for Philanthropic Impact shows that while overall giving increased 1.5 percent in 2018, the increase did not keep up with the 1.9 percent rate of inflation. Additionally, the 1.5 percent increase in giving for 2018 is much smaller than the 4.1 percent increase in giving that Blackbaud reported in 2017 and the combined 9 percent increase since 2016. Particularly concerning, smaller nonprofits with annual fundraising of under \$1 million saw a 2.3 percent drop in donations between 2017 and 2018.³ A report by the Fundraising Effectiveness Project (FEP) found that the total number of charitable donors in 2018 dropped 4.5 percent from 2017 levels, and new donors decreased by a bigger margin of 7.3 percent.⁴ Charities cannot weather this drop in donations and donors and an increase in taxes on the sector and will be forced to make cuts to the services they provide to communities in need.

United Philanthropy Forum and our members are appreciative of the bipartisan efforts in Congress to repeal both UBIT provisions. We are encouraged by the fact that the Ways and Means Subcommittee on Oversight hosted this hearing and we support additional hearings to further investigate how the 2017 tax bill impacted the charitable sector and what can be done to ameliorate these consequences. We welcome the opportunity to work with members of the Committee and their offices to provide data and perspectives on this topic. Please let us know how we can continue to support our sector's partnership with government and advance tax policies that encourages philanthropy to continue to innovate and deliver results in America's communities and leverage government investments.

On behalf of our network of philanthropy-serving organizations, United Philanthropy Forum thanks Chairman Neal, Ranking Member Brady, Subcommittee Chairman John Lewis, Ranking Member Mike Kelly, and all the members of the Ways and Means Committee for their support of the charitable sector. We look forward to working together with you on these important issues and exploring other topics related to strengthening philanthropy in America.

Respectfully Submitted,

David Biemesderfer
President and CEO
United Philanthropy Forum

CC: Members of the House Committee on Ways and Means

³ Blackbaud Institute. "2018 Charitable Giving Report." <https://institute.blackbaud.com/asset/2018-charitable-giving-report/>

⁴ Fundraising Effectiveness Project. <http://afpfep.org/reports/download/>